

STATUTORY IMPASSE PROCEDURE
IOWA PUBLIC EMPLOYMENT RELATIONS BOARD
ARBITRATION OPINIONS AND AWARDS

IMPASSE BETWEEN:

LOGAN-MAGNOLIA COMMUNITY
SCHOOL DISTRICT
Logan, Iowa

-and-

LOGAN-MAGNOLIA EDUCATION
ASSOCIATION, ISEA/NEA

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PERB No. CEO 903, Sector 1

Decision Issued: October 19, 2004

Jonathan Dworkin, Arbitrator

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PUBLIC EMPLOYMENT
RELATIONS BOARD

Representing the School District

Harvey Wiltsey

Board Advocate

Representing Association

John Phillips

UniServ Advocate

* * *

BACKGROUND AND IMPASSE SUMMARY

Located in Southwest Iowa, the Logan-Magnolia Community School District had a student population of 674 students. This number was consistent with slight, but continuous growth in student population throughout the last decade. The professional staff numbers 53.7 FTE (full-time equivalencies) with an average of fifteen years' educational experience.

This is a Teacher-impasse arbitration pursuant to Iowa law¹ The Logan-Magnolia Education Association, an affiliate of the Iowa State Education Association (ISEA), is the recognized Bargaining Representative for the District's professional staff, and negotiates annually with the Board of Education for Collective Bargaining Agreements. It should be observed that this arbitration occurred much later than usual for Iowa's schools. The parties voluntarily extended their deadlines to facilitate ongoing negotiations. It should also be noted that this decision is being issued more than the statutory required fifteen days after the hearing, The reason is that the Board Advocate requested an additional extension to submit a posthearing brief, and the Association Advocate agreed.

There are three items at impasse – Insurance, wages,² and supplemental pay. With respect to salary, there is no wage base in this School District. It was eliminated two years ago. Considering the fact that Logan-Magnolia will receive a 4.08% increase in allowable regular program growth from the state, the 25th

¹The state legislature eliminated factfinding for Teachers. Their impasses proceed directly to arbitration. Section 7.5(1) of the Iowa Administrative Code provides in part: "In disputes unresolved after mediation where all or a portion of the public employees in the bargaining unit are teachers licensed under Iowa Code chapter 260 and the public employer is a school district, community college, or area education association, such request [for arbitration] may be made not less than ten days after the effective date of the appointment of the mediator but must be made not later than April 16 of the year when the resulting collective bargaining agreement is to become effective."

² The Association made a point of the fact that it is negotiating salary only for regular program staff, not for Special Ed. teachers who are paid from a separate fund. This reduces the number of professional staff involved to 47.5 FTE.

highest among all Iowa school districts,³ the differences between the last-best offers of the parties are minute:

ASSOCIATION DEMANDS

Salaries: 1.6% Increase + \$610
Insurance Contribution \$450
Supplemental Base \$22,600

DISTRICT OFFERS

Salaries: 1.5% + \$500
Insurance Contribution \$436
Supplemental Base \$22,450⁴

Exhibit D-6 shows the comparisons between the demands and offers in real dollar costs:

OFFER COMPARISONS

<u>Article 15</u>	<u>District</u>	<u>Association</u>
Insurance Contribution	\$18,900	\$26,460
 <u>Article 16</u>		
Wage Increase	\$47,123	\$54,817
Educational Stipend	<u>7,400</u>	<u>7,400</u>
	\$54,523	\$62,21

³ According to the Association, this puts Logan-Magnolia in the highest 7 percent – above 177 other school districts.

⁴ Although there is no base salary, the parties use a generator base to create their supplemental pay schedule. Each activity earns a percentage of the generator base. Those percentages were negotiated in the past and there is no proposal here to amend any of them.

Appendix B

Supplemental Pay	\$ 3,661	\$ 4,124
<u>FICA + IPERS</u>	<u>7,797</u>	<u>8,890</u>
Total Increased Cost	\$84,881	\$101,691

* * *

In making awards, the Iowa Code restricts arbitrators to selecting, issue-by-issue, either the employer's or bargaining unit's final offer. They cannot choose middle ground, improve either offer, or even correct substantive errors. Statutory guidelines for decision making are established by Section 20.22, Subsection 9 of the Public Employment Relations Act. They are:

9. The panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.
- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other employees doing comparable work, giving consideration to factors peculiar to the area and the classification involved.
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

FACTS AND CONTENTIONS

There is no real issue of ability to pay. In 2003-2004, the District received \$10,084 in new state aid. This year the amount was \$125,521. In addition, the Association calls attention to the fact that the District has generated significant cost reductions in both 2003 and this year. In the previous school year, it eliminated one bus route, reduced Night Custodian hours, cut back a Study Hall Associate, reduced a Computer Lab Associate's hours, reduced field and lawn maintenance, and reduced Custodial expenditures for a total savings of \$47,000.

This year, the Board laid off one staff member, lost another by attrition, (s/he was not replaced). Two other staff members, who resigned, were replaced by newer Teachers at less cost. While conceding that total package settlements here have routinely surpassed state averages, the Association urges that its settlement offer will barely provide reasonable compensation for this school year:

Bottom line is that returning staff will be asked to do more, class size will increase, and course offerings will have to be adjusted to accommodate the District's decision to downsize the Logan-Magnolia professional staff.

One of the more persuasive Association exhibits compares the District's maximum authorized budgets ("Spending Authority") since 1989-1990. Spending authority is not the same as cash on hand. It is simply the amount authorized by the legislature, some of which may come from state contributions and general-fund carryovers from previous years. But frequently, a school board must elect to levy taxes to reach its authorized budget. From my point of view, cash reserve

and current income is more important to this dispute than knowing how much the District could spend if it had the money to do so. However, the Association's summary of Logan-Magnolia's unused spending authority, cash reserve, and new money is still meaningful:

Unspent balance is the difference between Maximum Authorized Budget (spending authority) and actual expenditures. Logan-Magnolia ended the 2002-03 budget year with an unspent balance (unused spending authority) of \$1,038,663. this represents the largest unspent balance in the district's history.

Although the June 30, 2003 unspent balance is the last known at this time, the District added an Instrumental Support Levy to its Maximum Authorized Budget starting in 2003-04 (about \$245,000).

Due to the cash reserve levy, an Iowa school district can have cash above its spending authority for shortfalls and cash flow, making a large unspent balance unnecessary. Logan-Magnolia has recently increased its cash reserve.

* * *

The District's counter arguments are directed to the total economic package, not to wages, insurance, and supplementals as separate line items to be awarded piece-by-piece. Like the Association, it also focuses on ability to pay. It candidly admits all the facts that the Association argues, but contends that those facts do not present the complete picture. Rather than trying to paraphrase the employer's contentions concerning financial condition, I find it more appropriate to quote the arguments from its posthearing brief. Frankly, they are set forth more cleanly and concisely than I could have stated them.

The Association never mentioned the fact the District had to raise taxes and make reductions in personnel and services in the 2003-2004 year to meet its financial obligations. No cuts or reductions were directed at the faculty bargaining unit to avoid a possible defeat of a bond issue to build additional classrooms.

Granted the District will receive a higher than average state appropriation of \$125,000 (4.08%). However, an examination of settlements for the 2004-2005 school year reveals that state aid is not the only factor in settlements. Some schools with little or no state aid exceed the average settlements. This was true in Logan-Magnolia for the 2003-2004 school year, when the District received only \$10,000 in state aid but settled with the faculty bargaining unit for \$75,701, 3.67%.

In 2004-2005 the district hoped to improve its financial condition by not replacing two faculty members. Such a savings would help correct the negative solvency ratio of the district. The non-replacement of departing members for whatever reason has never been used to offset the projected cost of settlements in Logan-Magnolia.

At the onset of negotiations both parties agreed to the numbers found on the Data sheet. All proposals are costed as if all 45.7 employees will be receiving benefits in 2004-2005. All previous settlements at Logan-Magnolia have been reported that way even though salary savings were generated by hiring lower salaried faculty and/or not replacing retired or resigning faculty. The use of the offset method proposed by the Association in this hearing cannot be supported.

One of the most telling exhibits supporting these arguments shows the decreasing solvency ratio of Logan-Magnolia over the last five years. While revenue went up, the unreserved, undesignated fund balance continued to go down. In 1998-1999 it was at a comfortable level – \$125,637. In 1999-2000 it decreased to \$92,463. The fund went up in 2001-2002 to \$97,763, but the following year it showed a deficit of \$140,276. There was still a deficit in 2002-2003 of \$33,190.

Despite the losses, this District continued to provide its Teachers above average wages and benefits. In doing so, however, it always considered the total package – and it proposes to do so this year. Thus, increases in one item (such as supplemental pay) have always been granted at the cost of settlements on regular program raises, insurance contributions, and the like. I agree with this approach, and will carefully consider the total costs of the following awards.

OPINIONS

Based on the Parties' presentations, I find that two of the four guidelines in the Public Employment Relations Act, Section 20.22 overshadow the other three. They are Subsections a and c. Subsection a requires interest arbitrators to consider the history of collective bargaining. It is paramount to the District's position. The Board is committed to the "total-package" approach, which worked well in the past and raised Teacher wages even at the cost of a general fund deficit. Now that the fund has a positive balance, due to a generous state allowance, the Board believes that the patterns established in previous years still ought to continue.

Both the Employer and Association are looking to the \$125,521 in state aid to support their offers. The Board's total package, a 4 percent increase – \$56,523 – would absorb 68 percent of the money; the Association's package, 4.8 percent – \$101,691 – will exhaust 81 percent. But it is important not to lose sight of the economies the District has had to introduced in the last two years or of the fact that the \$125,521 is only a small part of Logan-Magnolia's annual budget, in the

neighborhood of \$4½ million. This cannot be characterized as a "wealthy District," but it is one that has not looked to its professional staff's reasonable wages and benefits to cover its shortfalls.

The only comparables that I could reasonably assess came from the Association; the Board used all the settlements in the State of Iowa and asked me to concentrate on those in the Southwestern part, which it contends are more similar to Logan-Magnolia than the more affluent Eastern portion. The Association, on the other hand, concentrated on Eastern Iowa Districts.

Salaries: This item is the largest difference in the total packages offered by the Parties. If the Board's position is awarded it will cost \$54,523. The Association's demand totals \$62,217. The difference is very small – \$7,694. It amounts to .038 percent of the District's annual budget.

I find that the Association's position is more reasonable than the Board's on this item. It will be awarded.

Supplemental Pay: Here, the total difference between the Parties amounts to just \$463 + \$1,093 for taxes and retirement = \$1,556. Had the Parties not discontinued the wage base two years ago, supplementals would not have been on the table. They would have gone up automatically when the base wage was raised. I find, therefore, that it is more consistent with the award on salaries to grant the Association's position. It seems discrepant to raise wages for Teachers and leave the generator base untouched. The additional money will be minimal,

since staff members who give additional time to sports and activities earn only 2 percent to a maximum of 11 percent of the base.

Insurance: The District's package on insurance increase is \$18,900. The Association's is \$26,460. Again, the difference is small – \$8,560. As to this item, I believe it is better to be guided by past contracts. The Association urges that the District should pay one-half of the cost of family insurance. But the Board's \$436 offer is an increase last year which closely matches the 9.74 percent premium increase this year.

In other words, The District has offered to keep pace with insurance raises. It is not asking for a give back.

In view of the awards on salaries and supplementals, I will award the Board's settlement offer on this item.

AWARDS

SALARIES

The Association's settlement offer to increase salaries 1.6 percent + \$600 is awarded.

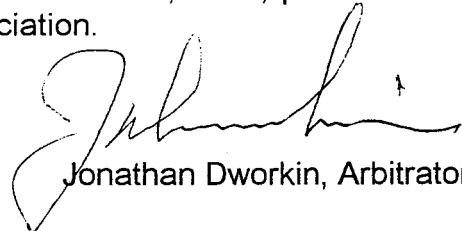
SUPPLEMENTAL SALARIES

The Association's final settlement offer to increase the supplemental generator base from \$22,450 to \$22,600 is awarded.

INSURANCE

The School District's settlement offer to increase its monthly contribution toward health insurance to \$436 is awarded.

Decisions Issued at Lorain County, Ohio, October 19, 2004, pursuant to brief extensions granted by the Board and Association.



Jonathan Dworkin, Arbitrator

CERTIFICATE OF SERVICE

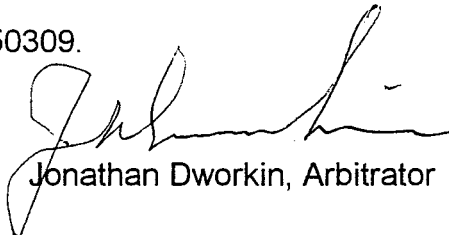
I certify that on the 19th day of October, 2004, I served the foregoing Awards of Arbitrator upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

John Phillips, UniServ Director, 110 Broadway, Red Oak, IA 5566.

Harvey Wiltsey, Advocate for the Logan-Magnolia Community School District, 211 Martin Drive, Bellevue, NE 68005.

I also certify that copies of the Awards were faxed to both Advocates to accommodate Mr. Wiltsey's scheduled meeting on the Awards. The copies were faxed October 20, 2004 at 1:00 pm, Central Time.

I further certify that on the 19th day of October, 2004, I submitted these Awards for filing by regular mail to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, IA 50309.


Jonathan Dworkin, Arbitrator

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